

Message Text

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PAGE 01 BUENOS 06391 232059Z

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ACTION OPIC-06

INFO OCT-01 ARA-10 EB-07 ISO-00 AID-05 COME-00 FRB-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 2839

UNCLAS BUENOS AIRES 6391

E.O. 11652: N/A

TAGS: EINV, AR

SUBJECT: POLITICAL RISK CONVERTIBILITY INSURANCE

REF: STATE 191056

1. GENERAL: CENTRAL BANK HAS TIGHTENED CONTROLS OVER CURRENT AND CAPITAL TRANSFERS IN VIEW SERIOUS BALANCE OF PAYMENTS PROBLEM AND FOREIGN EXCHANGE SHORTAGE. IN MOST CASES TO CONVERT LOCAL CURRENCY, ENTITY MUST APPLY TO CENTRAL BANK WHICH CONSIDERS APPLICATIONS ON CASE BY CASE BASIS. ONLY CONVERSIONS WHICH STILL PROCESSED THROUGH COMMERCIAL BANKS MORE OR LESS AUTOMATICALLY ARE REPAYMENT OF PROPERTY REGISTERED DEBT AND INTEREST AND PAYMENT FOR PREVIOUSLY APPROVED IMPORTS.

2. DEBT AND INTEREST REPAYMENT: TO MAKE CONVERSION, ENTITY WITH OBLIGATION MUST APPLY AT COMMERCIAL BANK WITHIN TWO WORKING DAYS OF MATURITY DATE. PREPAYMENT INTEREST AND DEBT PROHIBITED. IF FUNDS ENTERED COUNTRY LEGALLY, PROCESSING AND APPROVAL OF REPAYMENT NEARLY AUTOMATIC AND DELAYS MINIMAL. DEBT AND INTEREST TRANSACTIONS PASS THROUGH "NORMAL" FINANCIAL MARKET, I.E. 45.75 PESOS PER DOLLAR BY SEPTEMBER 12 DEVALUATION. GOA CONTINUES TO SEEK TO ROLL OVER AS MUCH FINANCIAL "SWAP" DEBT AS POSSIBLE.

3. DIVIDENDS, ROYALTIES, TECHNICAL SERVICES: SINCE 1971,
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PAGE 02 BUENOS 06391 232059Z

THESE PAYMENTS GENERALLY ONLY ALLOWED VIA SPECIAL EXTERNAL

BONDS ISSUED BY GOA. BONDS ISSUED THUS FAR INCLUDE:

1971 - TWO ISSUES \$120 MILLION, 1972 - TWO ISSUES \$120

MILLION, 1973 - ONE ISSUE \$65 MILLION, 1974 - ONE ISSUE

(APRIL) \$70 MILLION. GOA RECENTLY AUTHORIZED NEW ISSUE FOR

\$200 MILLION WHICH WE EXPECT WILL BE USED PRIMARILY FOR

ABOVE TRANSFERS. REMITTANCES NOW RECEIVING "SPECIAL"

FINANCIAL RATE, I.E., 65.20 PESOS PER DOLLAR FOLLOWING

SEPTEMBER 12 DEVALUATION. MAJOR PROBLEM WITH BOND SYSTEM

IS THAT REMITTANCE APPLICANTS MUST WAIT A LONG TIME TO

EFFECT TRANSFERS. IN MEANTIME, DOLLAR VALUE OF PESO

PROFITS FOR WHICH REMITTANCE REQUESTED SERIOUSLY ERODED

BY PESO DEPRECIATION.

4. CAPITAL REPATRIATION: UNDER CURRENT REGULATIONS, GOA MUST

APPROVE ALL CAPITAL REPATRIATION, GOA HAS SIGNIFICANT NUMBER OF

CASES PENDING--SOME FOR A LONG PERIOD. TO OUR KNOWLEDGE, HOWEVER,

ONLY ONE SUCH CASE APPROVED SINCE FOREIGN INVESTMENT LAW PASSED

IN NOVEMBER 1973.

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